

Bechtel Nevada

Overview

February, 2002



2002

Agenda

FMSIC/BRC Annual Conference

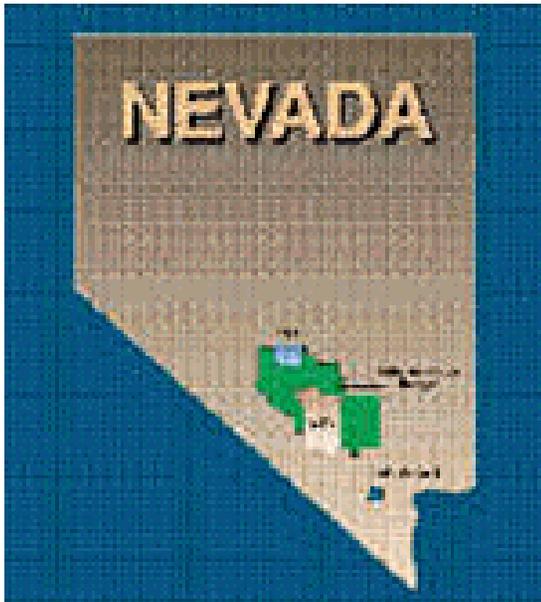
- ★ **NTS Operations**
- ★ **FY02 Cost Model Changes**
- ★ **Lessons Learned**
- ★ **Open Discussion**

Nevada Test Site Vision

The Nevada Test Site is a National asset for supporting experimentation, testing, training, and demonstration for defense systems and advanced high-hazard operations. We are the leader for rapidly designing, developing, and implementing the technological support required for experiments and tests of our national defense customers.

NTS – Unique National Resource

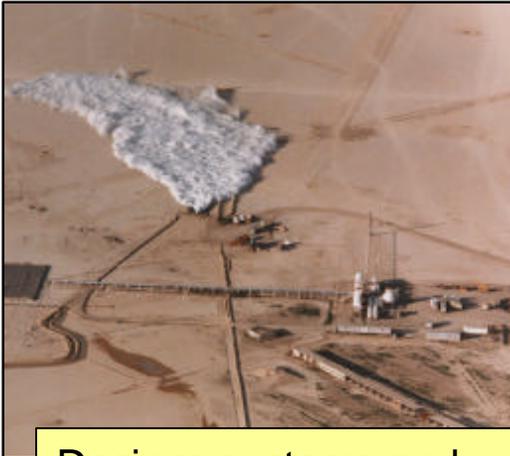
The Nevada Test Site is a massive outdoor laboratory and national experimental center that cannot be duplicated. Larger than the state of Rhode Island, approximately 1,375 square miles, making this one of the largest restricted access areas in the United States. The remote site is surrounded by thousands of additional acres of land withdrawn from the public domain for use as a protected wildlife range and for a military gunnery range, creating an unpopulated land area comprising some 5,470 square miles.



Established as the Atomic Energy Commission's on-continent proving ground, the Nevada Test Site has seen more than four decades of nuclear weapons testing. Since the nuclear weapons testing moratorium in 1992, test site use has diversified into many other programs such as hazardous chemical spill testing, emergency response training, conventional weapons testing, and waste management and environmental technology studies.

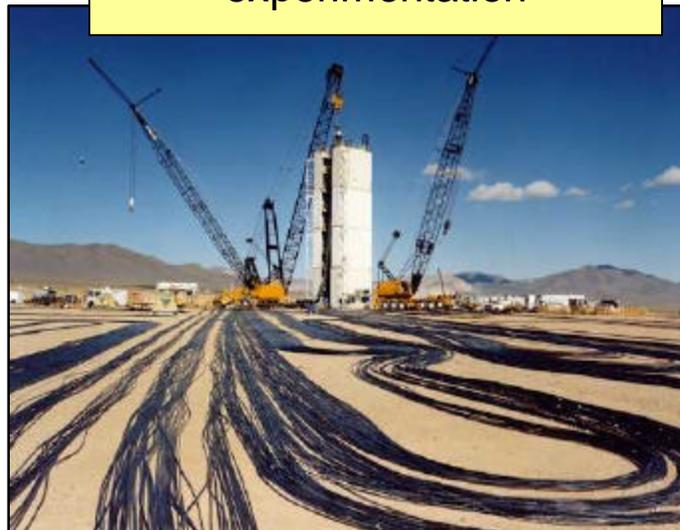
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Bechtel Nevada



Designs systems and system components for unique experiments

Supports nuclear weapons maintenance, viability, and experimentation



Manages and operates the Nevada Test Site



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Develops specialized sensors for data acquisition and analysis

Performs aerial radiation and environmental surveys of nuclear power sources and mining sites



Bechtel Nevada

Customers

The primary customer is the National Nuclear Security Administration and the 3 weapons labs (Livermore, Los Alamos and Sandia)



Other customers include:

- DOE Non-Proliferation and National Security
- DOE Environmental Management
- DOE Energy Programs
- Dept. of Defense
- Dept. of Justice
- Defense Threat Reduction Agency
- Intelligence Agencies
- NASA
- NRC
- Private Companies

The Four Programs

Bechtel Nevada is organized into four Missions to perform work:

Stockpile Stewardship



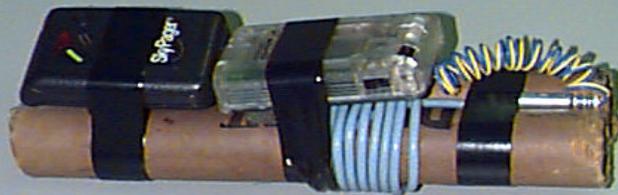
Defense and Civil Programs



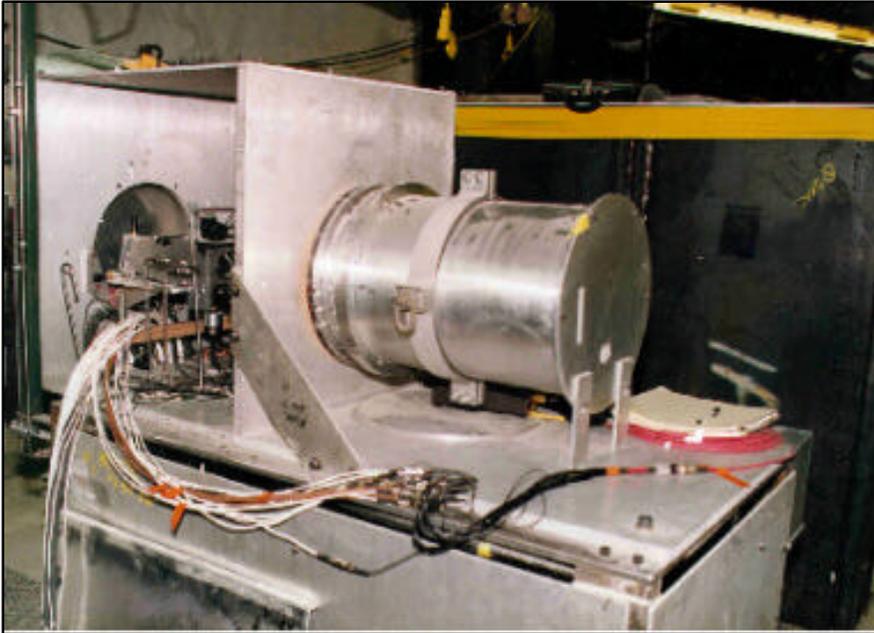
Environmental Management



National Security Response



Stockpile Stewardship



Supports national laboratories in the development and operation of diagnostic systems, target chambers, and stockpile stewardship experiments

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Maintains the Nevada Test Site for defense-related nuclear and national security experiments

Stockpile Stewardship

Big Explosives
Experimental
Facility



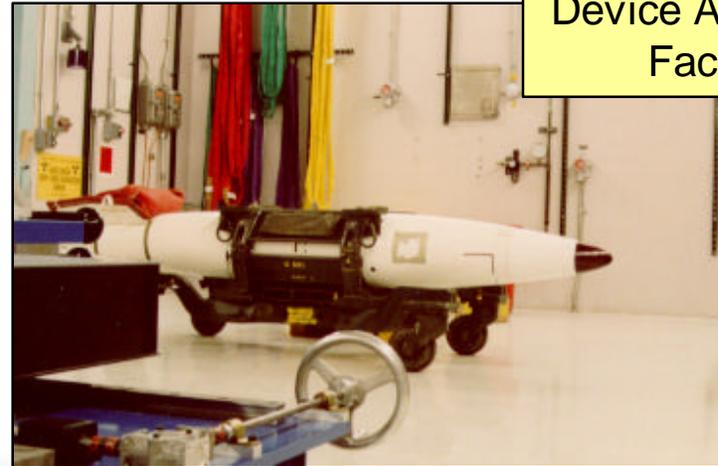
JASPER Gas
Gun



Atlas



Device Assembly
Facility



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Stockpile Stewardship

Subcritical Experiments

Bechtel Nevada supports subcritical experiments at the Nevada Test Site.



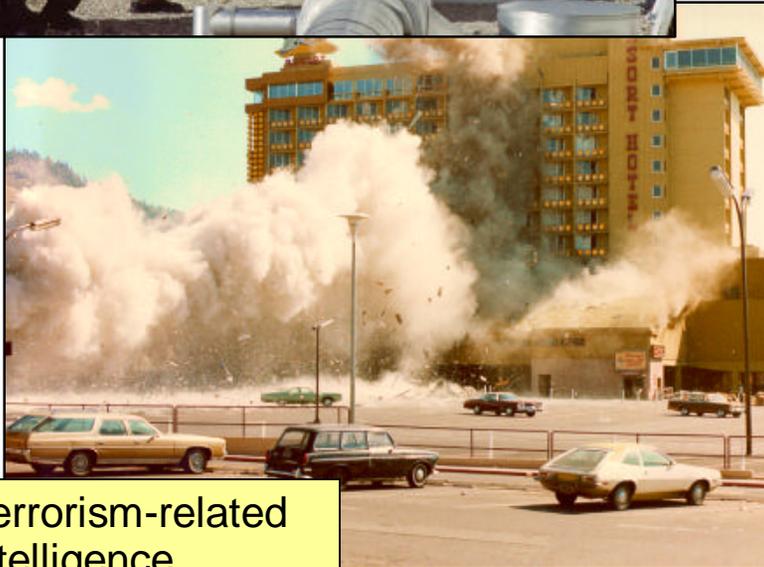
Experiments obtain data which help ensure safety and reliability of the U.S. nuclear stockpile

National Security Response

Counterterrorism and First Responder Training



Emergency response



Terrorism-related intelligence

Remote data acquisition and analysis



Increased Profile Since 9/11 Attacks

- Nat'l Center for Combating Terrorism
- Security Staff on Alert
- CBRN End-to-End Roadmap Initiative
- Emergency Management Deployments



Environmental Management

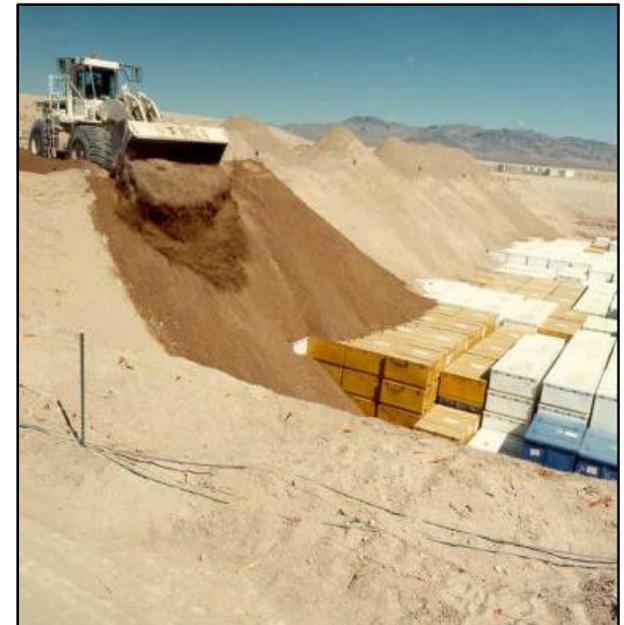


Develops remediation and restoration technology solutions for site cleanup needs

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Manages and remediates waste sites on the Nevada Test Site



Manages the disposal of waste generated by DOE operations

Defense and Civil Programs



Supports the Department of Defense weapon system testing and experimentation



Provides test and demonstration services for advanced technology systems



Supports testing and experimentation of advanced technologies for other agencies.

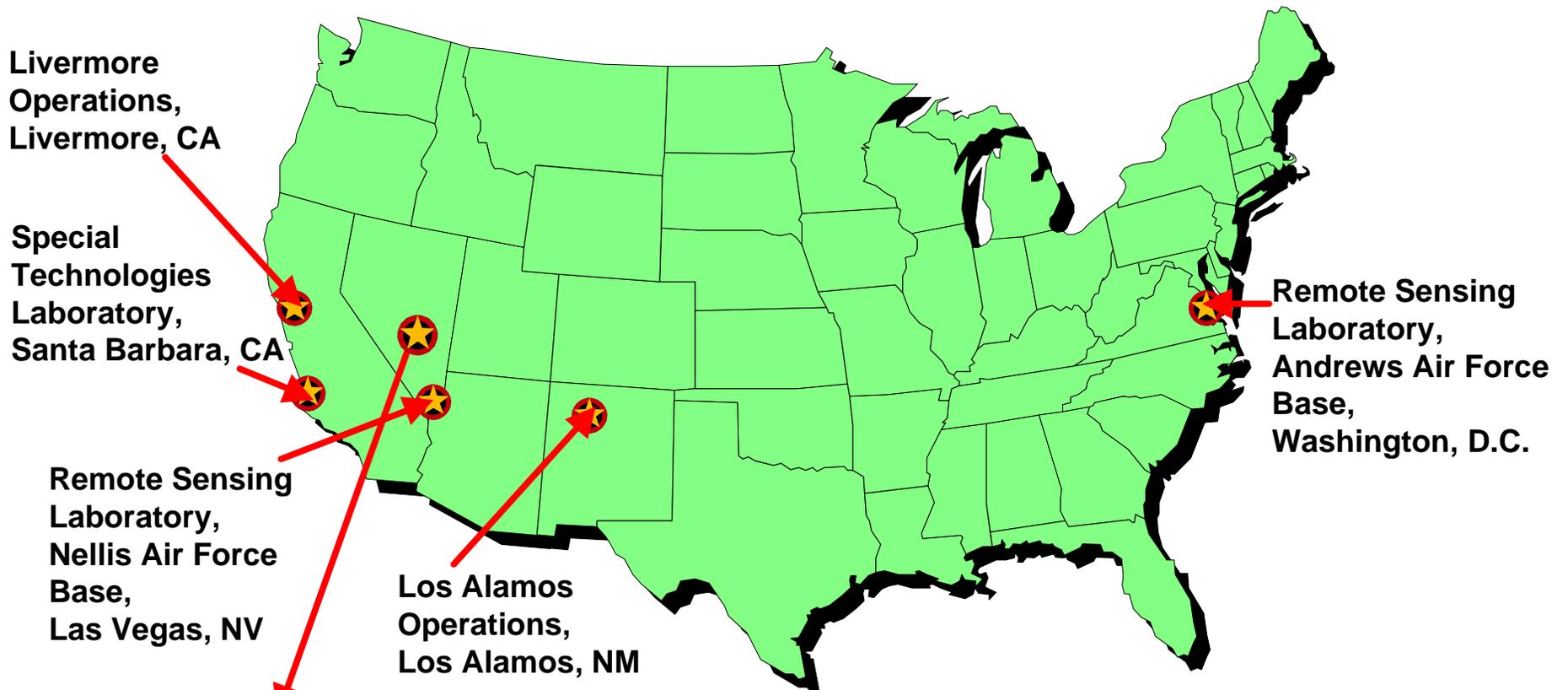


Provides alternate applications for existing technologies

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Operations Offices/Laboratories

In support of each Mission, Bechtel Nevada maintains operations at locations across the U.S.



Nevada Test Site

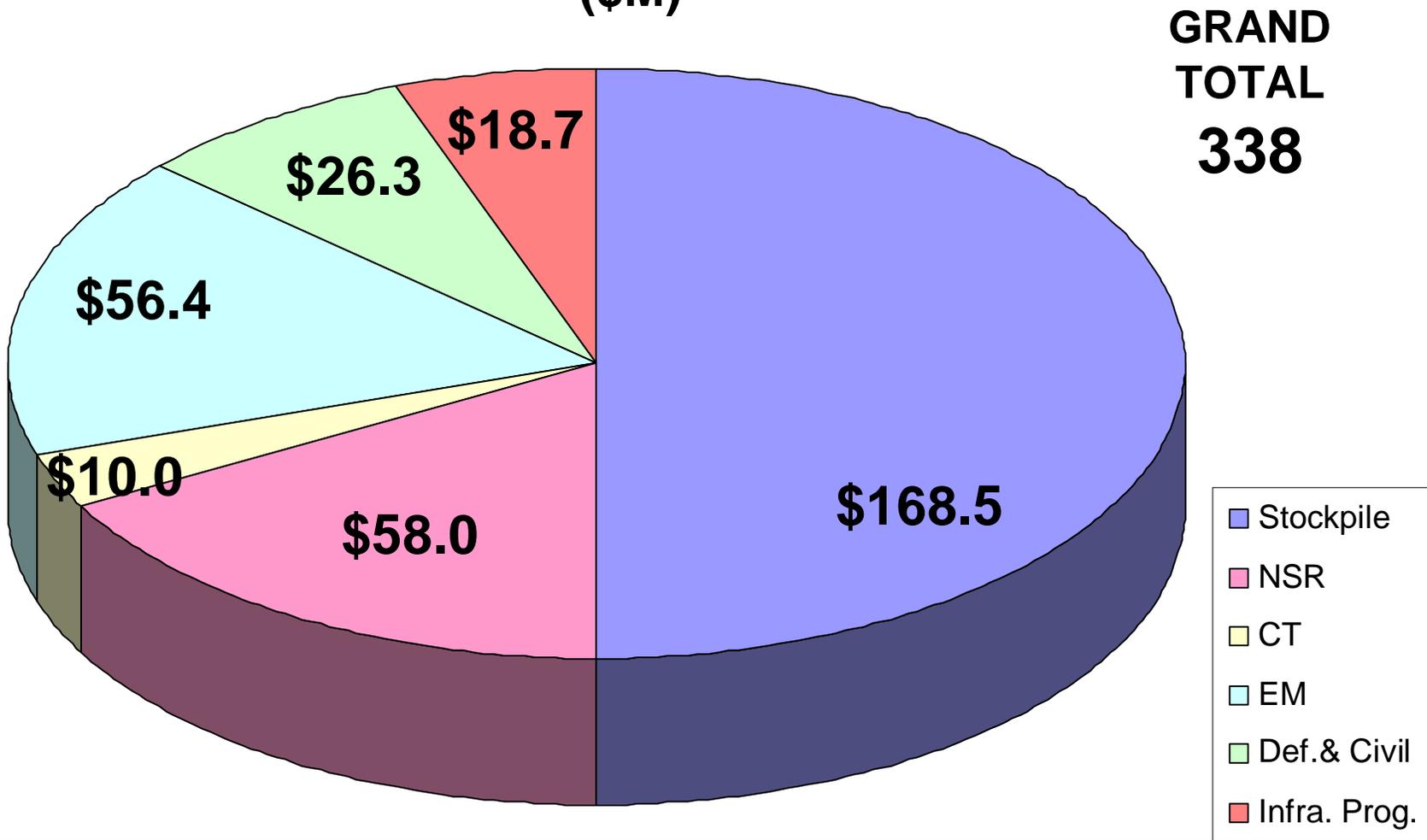
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Top 10 FY2002 Initiatives

1. Integrated Safety Management: Precursors and Self Assessment
2. Nuclear operations: External assessment of people and processes required
3. Atlas: Move it from LANL to NTS
4. Jasper: Hot operations
5. Reduce cost of doing business: Direct costs, indirect costs, and outsourcing opportunities
6. Site development: Equipment optimization plan & overall NTS aesthetics
7. Human talent: Leadership pipeline and process
8. Fast design build concept: Process and application of process
9. Mission enhancement: NCCT & NN work
10. Test readiness: Plan on what it would take to move to 18 months rather than two to three years

Bechtel Nevada Cost Model

FY 02 Projected New Year Funding (\$M)



Breakdown of Current Funding

# of Funding sources	# of Control Authorizations	Total Value (\$000)	Average per Funding source (\$000)	Average Control Authorization (\$000)	% of Total
64	274	265,674	4,151	970	83%
207	250	55,411	268	222	17%
271	524	321,084	1,185	613	100%

Background

- **FY02 Cost Model revisions were made because:**
 - **The FY01 model was too complex**
 - **Difficult to use as a management tool**
 - **Difficult to understand for future work**
 - **Customer dissatisfaction**
 - **Focus on long-term future**
 - **Perception of a “high cost of doing business”**

Cost Model Review Consultants Charter

- ★ **Evaluate BN's cost model configuration**
- ★ **Provide options:**

Simplify

Reduce multipliers

Encourage "WFO" opportunities

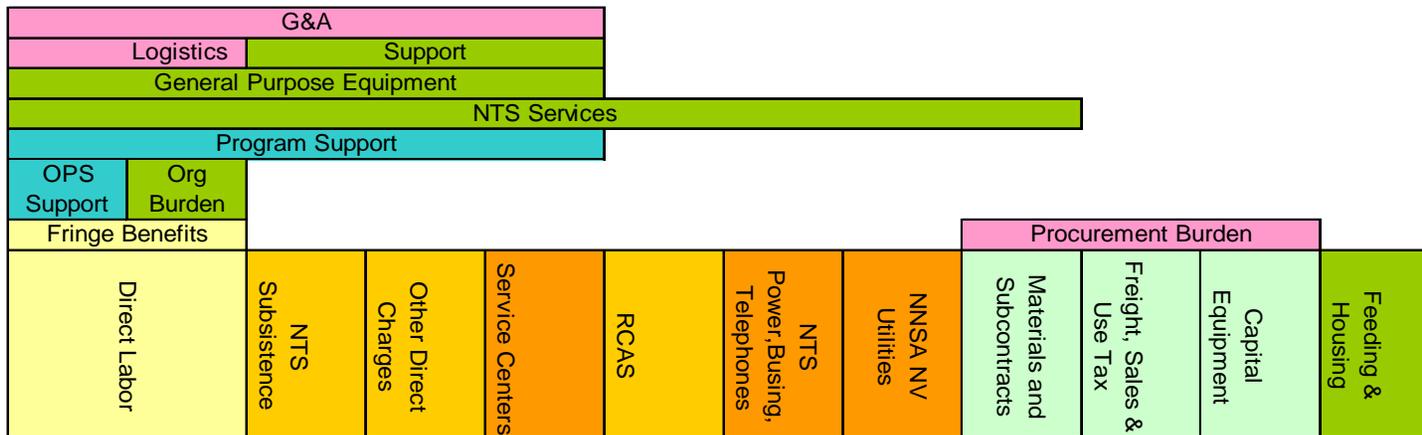
Improve visibility

Cost reduction

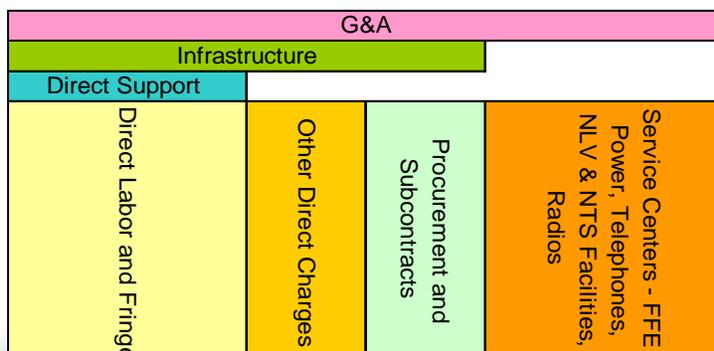


Bechtel Nevada Cost Model Comparison

Value Added Base



Total Cost Input Base



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Cost Model Review Consultants

	Recommendations			Status
	Reduce Multiplier	Reduce Cost	Improve Management Tool	
★ Projectize Infrastructure	★	★		Green
★ Offer Marginal Costing	★	★	★	Green
★ Combine Fringes With Labor	★			Green
★ Redefine Fee As Direct	★			Yellow
★ Simplify the Cost Model			★	Green
★ Enhance Clarity and Visibility			★	Green

Cost Model Simplification Multiplier Combinations

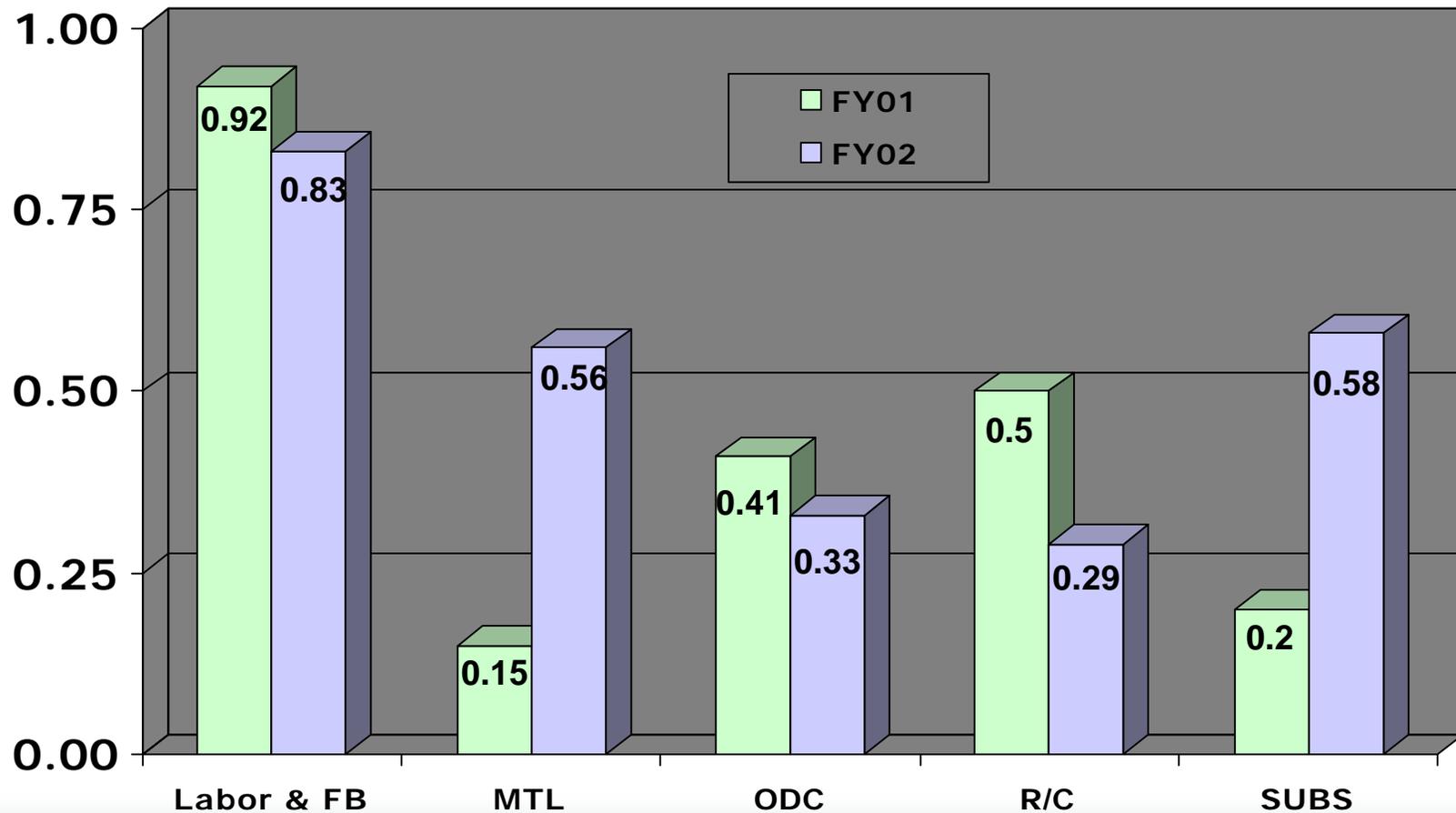
	<u>Old</u>	<u>New</u>
Labor & Fringe	64	10
ODC's	8	2
Procurements & Subcontracts	2	4
Recharges	<u>8</u>	<u>1</u>
	82	17

Cost Impact Analysis

FY02 Multipliers

	<u>Old</u>	<u>New</u>	
	Onsite	Onsite	Offsite
Labor:			
Stockpile Stewardship	2.14	1.99	1.52
National Security Response	2.19	2.26	1.72
Environmental Management	2.18	1.96	1.49
Defense Civil Projects	2.23	1.99	1.52
ODC	1.78	1.78	1.35
Recharges	1.78	1.29	1.29
Procurements, Subs & Equipment	<u>Old</u>	<u>New</u>	<u>Pass-through</u>
Onsite	1.29	1.78	1.03
Offsite	1.03	1.35	1.03

Burdens to to Prime Ratios

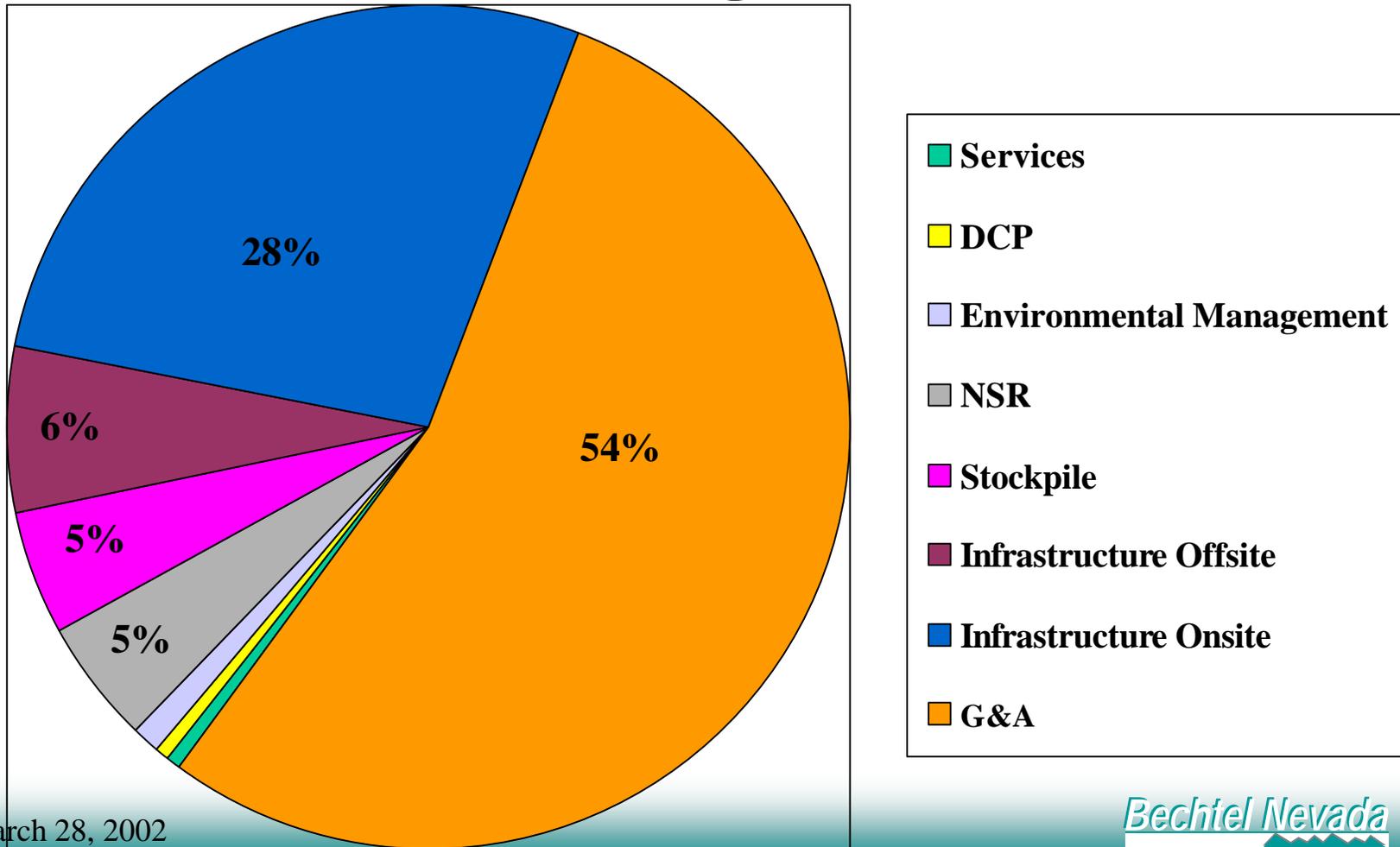


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FY02 Indirect Pool Expense

Estimated FY02 Program of \$335 M



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Lessons Learned

- Plan for adequate lead time to make changes
 - Make changes in time for the budget calls
- Avoid major rate differences at decision points
 - Pass-through procurements
 - Onsite vs. Offsite
- Avoid exceptions
- Don't overburden procurements and ODC's
- Communicate changes and cost impacts early
- Use large pools and bases to mitigate rate fluctuations
- Keep estimating in mind

Open Discussion Topics

- Total Cost Input vs. Value Added Base
- Operational Service Center
- Direct Distribution
- Populate G&A pools with only G&A activity
- Keep it Simple